



CDF Sales Tax Exemption Changes

Informational Bulletin

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Brian A. Hamer
Director of Revenue

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*This bulletin is written to
inform you of recent
changes; it does not replace
statutes, rules and regula-
tions, or court decisions.*

To:

- 1) Retailers who file Form ST-556, Sales Tax Transaction Return, and
- 2) Individuals who file Form RUT-25, Use Tax Transaction Return, or RUT-50, Vehicle Use Tax Transaction Return

This bulletin addresses changes made to the commercial distribution fee (CDF) sales tax exemption effective July 1, 2004.

Definitions

We have used the generic terms "motor vehicle" and "trailer" throughout this bulletin. Definitions for both of these terms are shown below.

- ◆ The term "motor vehicle" means a second division motor vehicle as defined in Section 1-146 of the Illinois Vehicle Code.
- ◆ The term "trailer" means a trailer as defined in Section 1-209 of the Illinois Vehicle Code, a semitrailer as defined in Section 1-187 of the Illinois Vehicle Code, and a pole trailer as defined in Section 1-161 of the Illinois Vehicle Code.

CDF sales tax exemption changes

- ◆ The CDF sales tax exemption will be repealed July 1, 2005.
- ◆ Through June 30, 2005, the CDF sales tax exemption applies to the purchase of a second division motor vehicle or trailer if **all** of the following qualifications are met.
 - 1 The manufacturer's gross vehicle weight rating (GVWR) is more than 8,000 pounds.

- 2 The motor vehicle or trailer will be used primarily for commercial purposes.
- 3 The Commercial Distribution Fee administered by the Illinois Secretary of State is paid
 - when the vehicle or trailer is registered at the time of purchase (or, directly to the Illinois Secretary of State when the purchaser applies for apportioned plates) **and**
 - in subsequent registration years.

Note: "Used for commercial purposes" means that persons or property are transported as part of a commercial or industrial enterprise, whether for-hire or not.

Examples of purchases that do not qualify for the CDF sales tax exemption

Although the Commercial Distribution Fee may be imposed and paid, that does not mean that the second division motor vehicle or trailer purchase automatically qualifies for the CDF sales tax exemption. All other qualifications identified in this bulletin must be met.

Examples of purchases that do not qualify for the exemption are listed below.

- 1 The purchase of a pick-up truck with a manufacturer's GVWR of

7,000 pounds, even if the purchaser claims that the vehicle will carry loads that will cause it to weigh more than 8,000 pounds.

- 2 The purchase of a pick-up truck with a GVWR of 8,200 pounds to be used primarily for personal use.
- 3 The purchase of a sports utility vehicle (SUV) with a GVWR of 7,000 pounds when the purchaser chooses to register the vehicle with "D" plates and pays the Commercial Distribution Fee.

"Title only" transactions and the CDF sales tax exemption

The **only** "title only" transactions for which the CDF sales tax exemption can be claimed at the time of purchase are those purchases from Illinois dealers for which the purchaser is applying for apportioned plates. In this situation, the dealer completes a "title only" application at the time of purchase and the purchaser applies for the necessary registration with the Illinois Secretary of State. The purchaser will then be required to pay the Commercial Distribution Fee directly to the Illinois Secretary of State.

How to document the exemption

Purchases from a registered Illinois dealer

The purchaser must complete Form CDF-7, Commercial Distribution Fee (CDF) Sales Tax Exemption Certification.

Note: We have revised Form CDF-7 to incorporate the qualifications described in this bulletin. Be sure to use Form CDF-7 revised June, 2004.

The dealer should keep Form CDF-7 to properly document the exemption.

The dealer must complete Section 5, Box F, "CDF sales tax exemption", on Form ST-556, Sales and Use Tax Transaction Return, and complete Part 6, Lines 1 and 2.

Note: If Box F on Form ST-556 says, "This form is void", the dealer must check Part 5, Box G, "Other," write "CDF sales tax exemption" on the line provided, then complete Part 6, Lines 1 and 2.

Purchases from an out-of-state dealer or retailer

The purchaser must complete Form RUT-25, Use Tax Transaction Return, check the box in Section D, Line 3, "The item is used as rolling stock.", write "CDF sales tax exemption" on the line provided for the certificate of authority number, and complete Section E, Lines 1 and 2.

Private transactions between individuals

The purchaser must complete Form RUT-50, Vehicle Use Tax Transaction Return, write the purchase price or fair market value in Step 3, on Line 11; and check the box in Step 4, Line c, "the vehicle is used for rolling stock."; and write "CDF sales tax exemption" on the line provided for the certificate of authority number.

Repair and replacement parts

Purchases of repair and replacement parts may qualify for a sales tax exemption if the motor vehicle or trailer is used in a manner that qualifies for the rolling stock exemption. Use Form RUT-7, Rolling Stock Certification, to document the sale of repair and replacement parts for a motor vehicle or trailer for which the CDF sales tax exemption was claimed. For more information about which purchases of repair and replacement parts qualify for the rolling stock exemption, see Informational Bulletin FY 2005-01, Rolling Stock Exemption Changes.